

Taxation and Investment in Sweden 2016

Reach, relevance and reliability



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1.0 Investment climate

1.1 Business environment

Sweden is a constitutional monarchy, with a unicameral parliament. The head of the government is the prime minister.

Sweden is a European Union (EU) member state, as well as a member of the Organization for Economic Co-operation and Development (OECD). As an EU member state, Sweden is required to comply with all EU directives and regulations, except those for which exemptions have been specifically negotiated. Sweden follows EU regulations on trade treaties, import regulations, customs duties, agricultural agreements, import quotas, rules of origin and other trade regulations. The EU has a single external tariff and a single market within its external borders. Restrictions on imports and exports apply in some cases. Companies operating in Sweden have access to a tariff-free market of consumers through the country's membership of the EU and free trade with Iceland, Norway, Liechtenstein and Switzerland through other agreements. Trade also is governed by the rules of the World Trade Organization (WTO).

EU member states		
Austria	Germany	Netherlands
Belgium	Greece	Poland
Bulgaria	Hungary	Portugal
Croatia	Ireland	Romania
Cyprus	Italy	Slovakia
Czech Republic	Latvia	Slovenia
Denmark	Lithuania	Spain
Estonia	Luxembourg	Sweden
Finland	Malta	United Kingdom
France		
EU candidate countries		
Albania	Montenegro	Turkey
Macedonia	Serbia	
European Economic Area (EEA) member states		
EU member states	Liechtenstein	Norway
Iceland		

Sweden also cooperates closely in many ways with other Nordic countries (i.e. Aland, Denmark, Finland, Iceland and Norway) through the Nordic Council.

OECD member countries		
Australia	Hungary	Norway
Austria	Iceland	Poland
Belgium	Ireland	Portugal
Canada	Israel	Slovakia
Chile	Italy	Slovenia
Czech Republic	Japan	Spain

Denmark	Korea (ROK)	Sweden
Estonia	Luxembourg	Switzerland
Finland	Mexico	Turkey
France	Netherlands	United Kingdom
Germany	New Zealand	United States
Greece		
Enhanced engagement countries		
Brazil	India	South Africa
China	Indonesia	
OECD accession candidate countries		
Colombia	Latvia	Lithuania
Costa Rica		

Sweden is a wealthy country by international standards. The primary sector—agriculture, forestry and fishing—declined in importance during the last decade and now plays a minor role in the economy. Manufacturing, mining, utilities, construction and services are important.

Price controls

The government has the power to introduce price controls, but prices in Sweden generally are set by market forces.

Intellectual property

Patent rights are covered by the Patent Act of 1967, which has been harmonized with the European Patent Convention, the Worldwide Patent Co-operation Treaty and the European Community Patent Convention. Protection for patents, industrial designs and trademarks requires registration with the Patent and Registration Office (PRV). Protection of industrial designs or models is subject to the Design Protection Act, which closely follows legislation on patent protection.

Under the Act on Rights to Literary Works and Works of Art, and the Act on Rights to Photographic Works, copyright for 50 years on original works is automatic and requires no registration. Sweden has incorporated into national law the EU directive, which introduces a common EU copyright term of 70 years from the death of an author and gives performers, record producers and others with related rights protection for 50 years from the time a work is put into circulation. Sweden is a signatory to the Paris, Bern and Rome conventions and to the Universal Copyright Convention. Swedish law provides 10 years' of protection against the unauthorized reproduction of "neighboring works," i.e. nonoriginal material organized specifically to support original works.

1.2 Currency

The currency in Sweden is the krona (SEK). Sweden is not part of the Eurozone.

1.3 Banking and financing

The Bank of Sweden is the central bank. The bank's most important function is to administer monetary policy, but it also administers exchange rates and takes part in negotiations on payment agreements with foreign countries.

Although Sweden does not participate in European Monetary Union (EMU), Swedish commercial banks offer euro-denominated accounts and payment services. Swedish companies may keep their books in euro, and some retailers accept euro.

Sweden's main financial center is Stockholm, the capital, followed by Gothenburg and Malmö.

1.4 Foreign investment

Sweden traditionally has adopted a liberal attitude toward inward foreign investment. Foreign investors generally are treated the same as Swedish investors. Subject to certain reporting requirements, foreign companies are free to make direct investments in Sweden and in Swedish property without prior approval from the central bank, and no approval is necessary from the Competition Authority to establish or acquire a subsidiary company in Sweden. There generally are no restrictions on the amount of foreign investment allowed, although some restrictions apply to foreign ownership of companies involved in the defense industry and in other sensitive areas.

Sweden has open markets in sectors particularly attractive to foreign investors, including energy, telecommunications and public transport, and, to a degree, healthcare.

Companies setting up in Sweden with foreign capital must notify the central bank for statistical purposes. The state exerts nominal control over the location, start-up time and operating conditions of new factories based on a voluntary agreement between the Federation of Industries and the Ministry of Labor.

There is no discrimination between Swedish and foreign-owned firms regarding access to Swedish incentive schemes; however, if the grant conditions are not satisfied, the grant will have to be repaid (in whole or in part).

Procedures for making a new investment in Sweden are straightforward. A local commercial bank, law or accounting firm can handle the formalities. Establishing a new company can take a week to several months, depending on the type of company and its complexity. Although commercial banks can approve applications for capital transfers into Sweden, approval also must be obtained from the Swedish Companies Registration Office for listing a new corporation and from the Companies and Registration Office if more than half of the board members or the company's managing director and deputy are not residents of the European Economic Area (EEA – the EU member states plus Iceland, Liechtenstein and Norway). Changes in corporate management generally are effective upon receipt of notification by the registration office. Companies must register with the National Labor Market Board, the Environmental Protection Agency and, if real property is involved, the county authorities. Acquisitions of Swedish companies sometimes require the approval of the Swedish Competition Authority.

Non-Swedish businesses are expected to adopt Swedish rules and practices, including the annual submission of company accounts, employee representation on the board of directors and local labor "co-determination," i.e. employee participation in company management (see section 2.1).

1.5 Tax incentives

There is a special tax regime applicable to individuals who qualify as experts, scientists or executives (see section 6.2).

Companies can benefit from reduced employer social fees for employees engaged in research or development work within Sweden. The reduction amounts to 10% of the employee's salary within certain brackets. The social fee reduction is maximized at SEK 230,000 per month.

1.6 Exchange controls

Sweden does not impose exchange controls but there are reporting requirements. For example, companies based in Sweden that remit or borrow cross-border funds must report their transactions to the local tax authorities, and occasionally to the central bank for tax and statistical purposes. The bank handling the transaction must file a statement of income for currency transactions of SEK 150,000 or more, which is forwarded to the tax authorities.

Foreigners may invest in Swedish bonds and krona-denominated money market instruments, and they may hold interest-bearing krona deposits in Swedish banks. Bonds and krona-denominated instruments must be deposited with an authorized bank or a central bank-approved stock brokerage firm. Swedish companies and individuals may invest in foreign securities, bonds and Treasury bills (again, provided they are deposited in or registered with an authorized institution); and they may acquire real property abroad. All payments and securities transactions for foreigners and Swedes must be handled through Swedish foreign exchange banks, including foreign-owned banks in Sweden.

2.0 Setting up a business

2.1 Principal forms of business entity

The principal forms of business organization in Sweden are the limited liability company (*aktiebolag* (AB), which can be public or private), partnership/limited partnership (KB or HB), cooperative society and sole proprietorship. Most foreign investors use the AB.

The *Societas Europaea* or SE company form also is available. The SE is designed to enable companies to operate across the EU with a single legal structure, to facilitate mergers and create flexibility for companies wanting to move their head office from one EU state to another. Companies from two or more EU member states are permitted to merge to form an SE or create an SE holding company or branch. A company may convert an existing firm to SE status without liquidating. One advantage of an SE is that it is possible to move headquarters to another EU member state with minimal formalities.

Businesses can establish as a European Economic Interest Grouping (EEIG). Companies (even non-EU companies, if the vehicle is a subsidiary in an EU country) that want to start working with a Swedish company but that do not want to commit to a formal joint venture, may set up an EEIG. The grouping functions much like a partnership in that the income is taxed in the hands of the member companies. At least two of the companies involved must be from different EU member states.

Formalities for setting up a company

Forms to set up a company are available on the Companies Registration Office website, and registration can be carried out electronically. All new businesses must register with the local tax office and the value added tax (VAT) authorities if their products or services qualify. If there are employees, social insurance registration will follow automatically.

When a company is formed, its share capital is examined. Cash contributions to capital must be paid into a special bank account and the attesting bank document is presented when the firm is registered. A document from an authorized accountant is required for shares or new issues paid for in property other than cash. An authorized accountant must keep the books of an AB. In practice, however, smaller ABs do their own bookkeeping, which an outside accountant reviews for accuracy. Swedish statutes require that even a one-person firm maintain books and retain accounting materials for 10 years. It is not necessary to follow the calendar year for accounting purposes.

Forms of entity

Requirements for an AB

Capital: A private AB must have a share capital of at least SEK 50,000 and a public AB share capital of at least SEK 500,000. Subscribed capital must be fully paid up and a bank must attest to this fact. If capital is in the form of property, machinery, know-how, licenses or goodwill, it must be appropriate to the company's activities. Contributions in kind must be valued by a certified public accountant.

Founders, shareholders: An AB must have at least one founder, who also is a shareholder. The founder generally must be a resident of the EEA, although exemptions may be permitted. Foreign shareholders may acquire up to 100% of founders' shares.

Board of directors: A public AB must have at least three persons on the board of directors; a private company may have one director as long as a deputy director is appointed. At least 50% of the board of directors and of the deputies generally must be EEA residents.

Management: Managing directors and their deputies must reside in the EEA, unless the Companies Registration Office grants an exemption.

Under the Co-determination at Work Act, all firms employing more than 25 persons must establish an economic committee comprising three management and two employee representatives. Training for the employee representatives must be provided by the company, if requested by the employees. Where the committee fails to satisfy employees' requirements on information and

control, they may appoint someone from their ranks to be an “employee consultant.” The committee and the consultant have full access to accounts and company affairs, and they may require management to make investigations and forecasts. However, the information obtained may be passed on only to the works council and employee board representatives. Firms may go before the Labor Court to claim damages for any breach of confidence by employee representatives.

Taxes and fees: The fee for the registration of a new AB is SEK 2,200 (SEK 1,900 for electronic registration). Registration fees for capital increases are SEK 900 (SEK 700 if carried out electronically).

Types of share: An AB can have different classes of shares. Different voting powers are allowed but no share may carry voting rights exceeding 10 times those vested in any other share.

Control: A change in the bylaws of the company generally requires two-thirds support. If a change limits shareholders’ rights with respect to shares already issued, the change requires support from shareholders holding nine-tenths of the voting rights.

Branch of a foreign corporation

Although a foreign company can set up a branch office in Sweden, the branch form rarely is used because branch offices are subject to many of the requirements that apply to Swedish joint stock companies (e.g. employing a resident managing director and disclosing accounts), but are not entitled to take certain tax deductions (e.g. a branch may not deduct interest paid on loans from its head office and deductions on other interest payments are assessed on a case-by-case basis). A branch must be registered with the Companies Registration Office (which can take about four weeks); it must keep its own accounts separate from the main accounts of the head office and must file annual financial statements.

A branch in Sweden must file income tax returns and pay corporate income tax on its profits but there is no branch tax.

Representative office

A representative office of a foreign company generally is not recognized as having a taxable presence in Sweden, provided the activities are not considered to create a Swedish permanent establishment (PE).

2.2 Regulation of business

Mergers and acquisitions

Mergers require clearance from the Competition Authority if the aggregate annual turnover of entities to be merged exceeds SEK 1 billion and at least two of the entities each have an annual turnover in Sweden exceeding SEK 200 million. The authority can block mergers that would have long-term adverse effects on competition. There is flexibility in the merger control system since a prohibition may be applied only to those aspects of a merger believed to hinder competition.

In general, Swedish state and local governments have been neutral or have encouraged mergers involving foreign firms, although they have been cautious in encouraging foreign interests in energy companies.

As an EU member state, Sweden is subject to the European Commission’s approval for mergers. The EU has jurisdiction in two cases:

- 1) Where the combined aggregate worldwide turnover of all of the undertakings concerned is more than EUR 5 billion and the aggregate EU-wide turnover of each of at least two of the undertakings is more than EUR 250 million, unless each of the undertakings concerned achieves more than two-thirds of its aggregate EU-wide turnover in a single member state; and
- 2) Where the aggregate global turnover of the companies concerned exceeds EUR 2.5 billion for all businesses involved, aggregate global turnover in each of at least three member states is more than EUR 100 million, aggregate turnover in each of these three member states of at least two undertakings is more than EUR 25 million and aggregate EU-wide turnover of each of at least two of the undertakings is more than EUR 100 million, unless

each achieves more than two-thirds of its aggregate EU-wide turnover within one and the same state.

If a merger normally would not be within the purview of the European Commission, the affected companies may ask the Commission to review it if they otherwise would be obliged to notify three or more member states. The Commission proceeds as a “one-stop shop” only if none of the relevant member states objects within 15 days.

Monopolies and restraint of trade

The Competition Law does not prohibit or inhibit dominant market positions, only the ability to restrict competition. Accordingly, the law does not contain any specific provisions for monopolies. Legal definitions of abuse include the imposition of unfair buying or selling prices, limiting production or markets, refusing supplies to a trading partner and discriminatory behavior in restraint of competition.

2.3 Accounting, filing and auditing requirements

All ABs must issue annual reports, which must be filed with the registration office no later than seven months after the end of the fiscal year. Penalties may be imposed for late filing.

The Annual Accounts Act requires that a company’s annual report include an administrative report, an income statement, a balance sheet, a funds statement and notes to the financial statements. The balance sheet and income statement must be drawn up according to specified formats. The company’s accounting policies must be disclosed in the annual financial statements, and the notes must address any other matters of importance related to assessment of the trading results and the financial position of the company. Details must be given of any changes in the profit and loss account or balance sheet concerning the way in which entries are grouped, or other changes substantially affecting comparisons between the accounts for the year in question and accounts for previous years. The annual financial statements must be in Swedish.

Each company or branch of a foreign concern must have an auditor, either an authorized public accountant or an appointed public accountant, although companies can elect to not have an auditor in certain cases.

Swedish GAAP requirements depend on the size and listing of the company. For listed groups, the rules are harmonized within the EU on a group level. Consolidated group reports must be prepared in accordance with International Financial Reporting Standards (IFRS).

3.0 Business taxation

3.1 Overview

Companies doing business in Sweden are subject to a broad range of taxes, including corporate income tax, withholding tax, VAT, real estate tax, stamp duties and social taxes paid by employers, along with a variety of environmental taxes. There is no branch tax, excess profits tax or alternative minimum tax.

Sweden has implemented the EU directives, including the parent-subsidiary, interest and royalties, and merger directives. Sweden also had implemented the savings directive, which required the exchange of information between tax administrations when interest payments were made in one EU member state to an individual resident in another member state. The directive was repealed from 1 January 2016 to coincide with the introduction of the common reporting standard (CRS) within the EU through the implementation of a new directive on the mandatory exchange of information.

Sweden has a participation exemption for dividends and capital gains and an extensive tax treaty network.

The power to levy taxes is vested in parliament. However, a law must be signed by the prime minister before it can enter into force; the law is then published in the official gazette. The government deals with tax matters through the Ministry of Finance. The tax administration comprises the National Tax Board, the central tax authorities and local tax offices in each county.

Sweden Quick Tax Facts for Companies	
Corporate income tax rate	22%
Branch tax rate	22%
Capital gains tax rate	0%/22%
Basis	Worldwide
Participation exemption	Yes
Loss relief	
– Carryforward	Indefinite
– Carryback	No
Double taxation relief	Yes
Tax consolidation	No, but loss relief is available
Transfer pricing rules	Yes
Thin capitalization rules	No, but significant restrictions on deductibility of interest on loans from affiliates
Controlled foreign company rules	Yes
Tax year	Financial year
Advance payment of tax	Yes
Return due date	Varies
Withholding tax	
– Dividends	0%/30%
– Interest	0%
– Royalties	0%
– Branch remittance tax	0%

Capital tax	No
Real property tax	0.2%–2.8%
Social security contributions	31.42%
Stamp duty	Varies; 1.5%/4.25% for real estate
VAT	25% (standard rate)/12%, 6%, 0% (reduced rates)

3.2 Residence

A corporation is resident in Sweden if it is incorporated in accordance with the Swedish Companies Act (incorporation principle).

3.3 Taxable income and rates

Swedish companies are taxed on their worldwide income, subject to the provisions of tax treaties. Nonresident companies are taxed on Swedish-source income, e.g. income attributable to a Swedish PE and real estate.

The corporate income tax rate is 22%. The profits of a branch of a foreign company are taxed in the same way as the profits of a resident company.

Taxable income defined

Tax is levied on worldwide corporate income less expenses related to the earning of that income. Certain exceptions are domestic and foreign-source dividends and capital gains on business-related shares under the Swedish participation exemption regime (see below). If a Swedish company markets abroad directly or through a branch office, the foreign profits are subject to Swedish tax. Tax treaties generally eliminate double taxation; where a treaty does not exist, a Swedish company can claim a credit against Swedish national income tax for comparable taxes paid abroad.

Under the participation exemption, no withholding tax is imposed on dividends paid to a Swedish or foreign company on business-related shares if: (1) the foreign company is taxed in its country of residence and the taxation is similar to Swedish company taxation; or (2) the foreign company is resident and liable to tax in a state with which Sweden has concluded a tax treaty. The participation exemption rules provide, *inter alia*, that the shares in the company paying the dividend must be unlisted or, if listed, that the shares held by the company receiving the dividends must represent 10% or more of the total number of votes for the company and be held for at least 12 months at the time the distribution is made.

From 1 January 2016, dividends that otherwise would qualify for the participation exemption regime will not be tax exempt where the foreign company paying the dividends is entitled to a deduction for the payment as interest or a similar payment.

Deductions

In principle, all expenses incurred in the operation of a business are deductible, including arm's length interest payments, rents and royalties paid, depreciation, losses and reserves. There are limits on the deduction of interest on certain intercompany debt (see below). Certain items are nondeductible, including profit distributions, entertainment expenses exceeding a designated amount, taxes, etc.

Depreciation

Flexible rules apply for inventory valuation and depreciation. Valuation is on a first-in, first-out basis or according to the lowest value principle.

Machinery and equipment may be written off either on a straight-line basis at 20% of the purchase cost per annum or on a declining-balance basis at 30% of current book value. Equipment with a maximum life of three years may be written off in the year of purchase. A third method of depreciation, which is based on the remaining depreciable value, allows companies to choose any

percentage up to 25%. A company must use the same depreciation method for all machinery and equipment, but may change methods at the end of a year.

The depreciation methods for machinery also apply to the amortization of patents, trademarks, acquired goodwill and other intangible property.

Buildings may be depreciated on a straight-line basis over their expected life. In general, commercial buildings may be depreciated at 1.5%-5% annually, factory buildings at 4% and office buildings at 2%. A 3%-5% rate may be used in industries where building deterioration occurs more rapidly (e.g. chemicals). Immovable factory equipment that is primarily an investment for the industrial use of the building rather than a part of the building (e.g. cranes or dedicated transport systems) may be depreciated as machinery. Immovable property that is integral to the building and for public use (e.g. heating and elevator systems) is depreciated as part of the building.

Assets normally may not be revalued upward. Within limits, however, fixed assets may be appreciated by the amount spent to improve them. Commodity assets may be revalued to their original value or to current market value. Downward revaluation of assets to market value must be done annually. There are no taxes on the amount of revaluation.

Reserves

Corporate taxpayers may set aside up to 25% of annual earnings for up to six years in an "allocation" fund. The amount allocated to the reserve may be deducted when calculating taxable income. During the six-year period, companies are free to decide when to end the reserve. At the end of the six years, the reserve must be added back to taxable income. A deemed interest income is calculated on the tax allocation reserve. The deemed interest is calculated as 72% of the government loan interest rate at the end of November of the previous fiscal year, multiplied by the opening balance of the accumulated tax allocation reserves.

Losses

A taxpayer's net operating losses generally may be deducted and carried forward for set off against future profits without limit. However, restrictions are imposed to prevent the abuse of loss carryforwards on a change in ownership. A change in ownership results when: (1) a loss-making company comes under new control (i.e. more than a 50% change in ownership); or (2) a loss-making company (or its parent) gains control over another company. There also are restrictions on losses on share transactions and transactions between companies in a group.

Losses incurred abroad by a Swedish company generally are deductible from Swedish-source income, although when a tax treaty exempts foreign-source income from Swedish tax, losses arising from that source are not deductible from Swedish-source income.

The carryback of losses is not permitted.

Group relief

Relief for losses between companies in a group is granted by a system of group contributions. Group contributions generally are deductible for the paying company and taxable for the receiving company, provided the following requirements are met:

- The parent holds more than 90% of the shares of the subsidiary for the entire income year or since the subsidiary started conducting business;
- Neither the granting nor the receiving company is a private housing company or an investment company;
- The group contribution is disclosed in both companies' tax returns for the year in which the contribution was made;
- The recipient is not, by virtue of a tax treaty, resident in a jurisdiction outside the EEA;
- The business income to which the group contribution received is attributable is not exempt in Sweden by virtue of tax treaty provisions; and
- In the case of a contribution from a subsidiary to its parent, the parent is exempt from tax on dividends received from the subsidiary in the same income year.

Contributions from a subsidiary to another subsidiary of the same parent (with a holding of more than 90% in each subsidiary) are deductible if the above conditions are satisfied and either: (1) the parent is an investment company; or (2) dividends from the subsidiary paying the group contribution are tax-exempt for the parent during the same income year as that in which the contribution is made, or dividends from the subsidiary receiving the group contribution are tax-exempt for the parent during the same income year as that in which the contribution is made.

In addition, the group contribution must be effected by a real transfer of wealth. For civil law purposes, a group contribution is regarded either as a dividend requiring distributable earnings, if paid to a parent or sister company, or as a shareholder's contribution, if paid to a subsidiary.

3.4 Capital gains taxation

Capital gains derived by companies are included in taxable income and taxed at the normal corporate rate of 22%. Capital gains on qualifying shareholdings (i.e. business-related shares), however, are tax-exempt under the participation exemption. To qualify for the exemption, the shares in a Swedish or comparable foreign company must be held for "business purposes." As in the case of dividends, unlisted shares always are deemed to be held for business purposes and listed shares qualify if a company holds at least 10% of the voting rights in the other company. There is no minimum holding period to obtain the tax exemption on the disposal of unlisted shares but a one-year holding period is required for listed shares. Because gains are tax-exempt, capital losses on shares held for business purposes are not tax deductible.

3.5 Double taxation relief

Unilateral relief

In the absence of a tax treaty, Swedish resident taxpayers may credit foreign income taxes levied at national or other levels against the Swedish income tax attributable to the foreign-source income. The foreign tax credit for any year may not exceed the amount of Swedish income tax attributable to the recipient's total foreign-source income.

Tax treaties

Sweden has a broad tax treaty network, with most treaties following the OECD model treaty. Treaties generally provide for relief from double taxation on all types of income, limit the taxation by one country of companies resident in the other and protect companies resident in one country from discriminatory taxation in the other. Sweden's treaties generally contain OECD-compliant exchange of information provisions.

Sweden also is a signatory to the Nordic Income and Capital Tax Treaty (along with Denmark (and the Faroe Islands), Finland, Iceland and Norway).

Administrative procedures regarding withholding tax under Sweden's treaties vary, depending on the particular treaty. As a general rule, tax is withheld at the time income is paid. To benefit from a reduced rate under a tax treaty, the income payer must submit the required documents (e.g. a residence certificate) to the tax authorities within a certain period of applying the treaty.

Sweden Tax Treaty Network			
Albania	Denmark	Korea (ROK)	Serbia
Argentina	Egypt	Latvia	Singapore
Australia	Estonia	Lithuania	Slovakia
Austria	Faroe Islands	Luxembourg	Slovenia
Bangladesh	Finland	Macedonia	South Africa
Barbados	France	Malaysia	Spain
Belarus	Gambia	Malta	Sri Lanka
Belgium	Georgia	Mauritius	Switzerland
Bermuda	Germany	Mexico	Taiwan

Bolivia	Greece	Montenegro	Tanzania
Bosnia-Herzegovina	Hungary	Namibia	Thailand
Botswana	Iceland	Netherlands	Trinidad & Tobago
Brazil	India	New Zealand	Tunisia
British Virgin Islands	Indonesia	Nigeria	Turkey
Bulgaria	Ireland	Norway	Ukraine
Canada	Israel	Pakistan	United Kingdom
Cayman Islands	Italy	Philippines	United States
Chile	Jamaica	Poland	Venezuela
China	Japan	Portugal	Vietnam
Croatia	Jersey	Romania	Zambia
Cyprus	Kazakhstan	Russia	Zimbabwe
Czech Republic	Kenya		

3.6 Anti-avoidance rules

Transfer pricing

Swedish transfer pricing legislation is based on the OECD transfer pricing guidelines and, hence, requires that transactions between related parties be at arm's length. Acceptable transfer pricing methods include the comparable uncontrolled price, resale price, cost plus, profit split and transactional net margin methods.

Statutory documentation requirements apply. EU transfer pricing documentation (as established by the code of conduct on transfer pricing documentation for transactions between associated enterprises in the EU) is accepted.

Formal rules on advance pricing agreement (APA) filing procedures apply. Bilateral and multilateral APAs are available. An APA generally lasts between three and five years.

Thin capitalization

Although Sweden does not have thin capitalization rules, limits on interest deductibility apply to all interest expense on loans granted by affiliated companies within a community of interests (intragroup loans), regardless of the purpose or origin of the loan. There are two exceptions where these limits do not apply:

- 1) An interest deduction is allowed if the corresponding interest income is taxed at a rate of at least 10% in the hands of the beneficial owner. However, even if the 10% threshold is met, a deduction will be disallowed if, from a group perspective, the loan is obtained mainly for the group to generate a substantial tax benefit. A hypothetical test is used to determine whether the income corresponding to the interest expense would have been subject to at least a 10% tax on a stand-alone basis provided the beneficial owner would have received the income. Since the calculation is made on a stand-alone basis, profit or losses from normal business operations or costs generally deductible for the recipient company should not affect the level of taxation. However, a basic allowance affects the effective tax rate on the income in the hypothetical test. Thus, the 10% threshold would not be met if the interest income is neutralized by a basic allowance or other similar deduction.
- 2) Even if the 10% threshold is not met, an interest deduction is allowed if the intragroup debt is based on predominantly sound business reasons; consideration is given to whether the financing could be made with a contribution rather than a loan. However, this exception is not applicable if the beneficial owner of the interest income is resident in a nontreaty country outside the EEA.

Controlled foreign companies

Under the controlled foreign company (CFC) regime, a Swedish resident company (or individual) or any nonresident with a PE in Sweden that holds an interest in certain foreign legal entities is subject to immediate taxation on its proportionate share of the foreign legal entity's profits if the foreign entity is not taxed or if it is subject to tax that is lower than 12.1% (i.e. 55% of the Swedish tax rate of 22%).

To trigger the CFC regime, the shareholder must control, directly or indirectly, at the end of the income year, at least 25% of the capital or voting rights in the foreign legal entity, either alone or together with persons who have a community of interest with the shareholder. However, an exemption is provided for income from a CFC that is resident within the EEA if the taxpayer can demonstrate that the foreign legal person actually is established in its home state and carries on genuine economic activities. Further, income will not be deemed to be subject to low taxation if the legal foreign entity is tax resident and liable to income tax in one of the countries included on a "white list" issued by the government, provided the income in question has not been specifically excluded.

General anti-avoidance rule

In accordance with the General Tax Avoidance Act, a transaction may be disregarded if it produces a substantial tax benefit, the tax benefit could be viewed as the predominant reason for the transaction and an assessment based on the transaction would be contrary to the purpose of the legislation.

3.7 Administration

Tax year

Corporate income tax in Sweden is assessed based on net income earned in the previous year (income year). For corporations, the income year corresponds to the financial year. Corporations normally use a financial year of a 12-month period ending on 31 December, 30 April, 30 June or 31 August, unless the tax authorities permit a different date.

Filing and payment

Companies make monthly preliminary tax payments on their estimated income during the income year. A preliminary return must be submitted on or before 30 November of the year before the income year and monthly estimated tax payments must be made during the year based on the preliminary return. A final assessment is made in the year following the income year. This is normally issued within six months of filing the income tax return and either a refund is issued or a final balance must be paid.

There are four different dates for filing the annual corporate income tax return:

- For companies with a financial year ending between 31 January and 30 April, the return is due by 1 November (paper returns) or 1 December (electronic returns) of the calendar year in which the financial year ended.
- For companies with a financial year ending between 31 May and 30 June, the return is due by 15 December (paper returns) of the calendar year in which the financial year ended or by 15 January (electronic returns) of the calendar year after the calendar year in which the financial year ended.
- For companies with a financial year ending between 31 July and 31 August, the return is due by 1 March (paper returns) or 1 April (electronic returns) of the calendar year after the calendar year in which the financial year ended.
- For companies with a financial year ending between 30 September and 31 December, the return is due by 1 July (paper returns) or 1 August (electronic returns) of the calendar year after the calendar year in which the financial year ended.

All companies, regardless of income or legal structure, have a tax account with the Swedish Tax Agency into which they make monthly payments of all types of tax. Refunds due from the government also are paid into the account.

Companies distributing dividends must withhold and remit the withholding tax on dividends to the Swedish Tax Agency. For nominee-registered shares or shares registered with Euroclear Sweden AB, the nominee or Euroclear Sweden AB is liable to withhold and pay the tax.

Penalties range from SEK 6,250 to SEK 18,750 for the late filing of a return.

Under Swedish tax law, tax penalties can be levied if the taxpayer has provided incorrect information or failed to provide sufficient information in the tax return. For income tax purposes, tax penalties are levied at a rate of 40% of the tax due on hidden income. If the incorrect or insufficient information concerns a timing issue, tax penalties are levied at a rate of 10% for income tax purposes.

Consolidated returns

Swedish tax law does not contain any provisions for the filing of a consolidated tax return. Each company must file its own return and is taxed separately. However, relief for losses between companies in a group is provided by a system of group contributions (see 3.3 above).

Statute of limitations

A reassessment may take place during the six-year period after the end of the calendar year in which the relevant fiscal year ended. However, once a two-year period from the end of the calendar year in which the fiscal year ended has elapsed, a reassessment that would disadvantage the taxpayer may be made only in certain circumstances, including where: (1) the taxpayer provided incorrect information or failed to provide information; and (2) the incorrect information or failure to provide information resulted in an incorrect assessment.

Tax authorities

The Swedish Tax Agency is responsible for all tax administration and compliance for both corporations and individuals. The agency has offices across the country, with special offices, for example, for large companies and foreign withholding taxes.

Sweden has a system of tax audits. An audit means that the Tax Agency has decided to examine the information in the tax return to ensure that the correct amount of tax due has been paid.

Rulings

The Swedish Tax Agency does not have the authority to issue binding rulings, but it is possible to apply for an advance ruling from the National Board on Advance Rulings regarding the tax implications of certain transactions. The decision by the board may be appealed to the Swedish Administrative Supreme Court. Rulings are binding.

As noted above, APAs also are available.

3.8 Other taxes on business

None.

4.0 Withholding taxes

4.1 Dividends

Dividends paid by a Swedish company to a nonresident (corporate or individual) shareholder are subject to a 30% withholding tax unless the rate is reduced under a tax treaty. No withholding tax is imposed on dividend distributions to a legal entity resident in another EU member state that holds 10% or more of the capital of the Swedish company, provided the company fulfills the requirements for the application of the EU parent-subsidiary directive (however, there is no holding period requirement in Sweden). Furthermore, no withholding tax is imposed where the dividends are paid to a shareholding qualifying for the benefits of the Swedish participation exemption (see above under 3.3).

Dividends paid to a Swedish resident generally are not subject to withholding tax, although they are subject to income tax if paid to individuals.

4.2 Interest

Sweden does not levy withholding tax on interest, but national income tax is levied on interest paid to residents.

4.3 Royalties

No withholding tax is imposed on royalties under domestic law. Royalty payments made to a nonresident generally are considered to be income of the recipient, which is deemed to have a PE in Sweden. Thus, the nonresident recipient is taxed in Sweden on the net royalty income (i.e. the gross royalty minus expenses related to the royalty) at the ordinary corporate income tax rate of 22%. Under Sweden's implementation of the EU interest and royalties directive, royalties may be tax-exempt.

4.4 Branch remittance tax

Sweden does not levy a branch profits tax.

4.5 Wage tax/social security contributions

Tax on the employment income of an individual is withheld by the employer. The employer is required to withhold a preliminary tax on salary payments corresponding to the individual's estimated income tax on employment income.

Employers that provide pensions to their employees are subject to a special salary tax on pension costs at a rate of 24.26%, computed on the expenses incurred by the employer.

Swedish employers are required to make contributions to social security on behalf of their employees. The general aggregate contribution by an employer on behalf of an employee is 31.42%. For employees born in 1937 or earlier, the rate is 6.15%. For employees born between 1938 and 1950, the rate is 16.36%. For employees born in 1990 or later, the rate is 25.46% up until May 2016 and 31.42% from June 2016.

5.0 Indirect taxes

5.1 Value added tax

Sweden levies VAT on the supply of taxable goods or services in Sweden, the intra-Community (EU) acquisition of taxable goods and the importation of taxable goods into Sweden. Unless exempt in the VAT Act, all goods and services are liable to VAT.

The standard VAT rate is 25%. Restaurant services (excluding alcohol), foodstuff, the letting of rooms in hotel businesses and certain artworks are taxed at 12%. A 6% rate applies to certain goods and services, including books and newspapers, entrance fees to concerts, cinemas, theatres, etc., passenger transport and copyright to certain cultural works of art.

Exemptions apply, for example, to certain financial and banking services, insurance and reinsurance transactions, the sale or letting of real property (although it is possible to opt for VAT if certain criteria are met), and some medical and social services.

Input VAT may be deducted on purchases that are made for business activities subject to VAT, but not for purchases that relate to VAT-exempt business activities (although exceptions may apply). If a purchase is used in both taxable and VAT exempt business activities, a pro rata calculation is made to obtain a deduction of the proportion of the input VAT that corresponds to the use in activities liable to VAT.

VAT generally is reported and paid by the seller. However, Sweden operates the reverse charge mechanism for most goods and services supplied in Sweden when the sales are made by a foreign entrepreneur that does not have a fixed establishment in Sweden, to a purchaser that is VAT-registered in Sweden. When the reverse charge is applied, it is the purchaser and not the seller that is liable to report and pay VAT.

Companies and individuals whose businesses involve the supply of taxable goods or services must charge VAT and be registered for VAT purposes. The VAT registration rules that apply to Swedish entities also apply to foreign entities that make taxable supplies in Sweden (unless the reverse charge applies). Foreign companies transferring goods to/from Sweden from/to other EU member states also must register for VAT. Foreign entities must register for VAT when carrying out distance sales of goods to consumers in Sweden if the sales turnover exceeds SEK 320,000 per year; for example, internet sales where non VAT-registered Swedish customers purchase goods online and the foreign entrepreneurs have the goods delivered to Sweden. Foreign entrepreneurs can register for all such sales voluntarily even if the annual sales turnover is below SEK 320,000.

Foreign companies generally must appoint a Swedish VAT representative to file the VAT return and deal with other VAT correspondence from the Swedish Tax Agency, although there are exceptions to this requirement for companies from EU member states and the Nordic countries.

Registration normally carries entitlement to deduct input tax and an obligation to report VAT on sales in Sweden. Foreign entrepreneurs that do not meet the above criteria do not need to register for VAT in Sweden, do not charge output tax on their sales and, therefore, are not entitled to deduct input tax. Foreign entrepreneurs not required to be registered for VAT in Sweden can obtain a refund of input VAT on goods and services acquired in Sweden if certain conditions are satisfied.

Companies whose annual turnover exceeds SEK 40 million must file VAT returns and pay taxes monthly; otherwise, quarterly filing and payment obligations apply. However, for companies with a turnover of less than SEK 1 million, VAT may be reported in an annual VAT return.

VAT returns may be filed electronically.

VAT grouping (where all companies within the group are regarded as a single taxable person for VAT purposes) is allowed in Sweden. All transactions within a VAT group are disregarded for VAT purposes. An application to register a VAT group must be filed with the Swedish Tax Agency by the group principal and the agency will decide whether to accept the application. When VAT grouping is used, the group principal reports and pays VAT. The categories of company that can be part of a VAT group are entities that:

- Are under financial supervision (primarily businesses in the finance and insurance sectors);
- Are not under financial supervision but predominantly supply support services to financial companies under supervision;
- Are engaged in a commissionaire structure for corporate income tax purposes, i.e. when the activities of a company are carried out on behalf of another company under a special agreement and the taxable result is reported in the principal's income tax return; and
- Have a fixed establishment in Sweden.

In addition, the entities must be financially, economically and organizationally linked to qualify as group members.

If a Swedish establishment of a foreign company is included in a Swedish VAT group, transactions between the Swedish establishment and overseas establishments of the same legal entity will be considered as taxable transactions from a Swedish VAT perspective.

5.2 Capital tax

Sweden does not levy capital duty.

5.3 Real property tax

Annual real property tax is levied at rates ranging from 0.2% to 2.8% on the tax assessed value (as determined by the tax authorities) of all types of real estate other than dwellings and duplex dwellings. The tax is deductible in computing the corporate tax liability.

A real property fee (instead of property tax) must be paid to the municipality on dwellings and duplex dwellings. The annual fee for dwellings is the lower of SEK 7,412 or 0.75% of the property's assessed value. For duplex dwellings, the fee is the lower of SEK 1,268 or 0.3% of the real property's assessed value.

5.4 Transfer tax

There is no transfer tax, other than stamp duty.

5.5 Stamp duty

Stamp duty is levied on the transfer of real property and site leasehold rights at rates of 4.25% for companies and 1.5% for individuals, and the grant of mortgages at rates of 2% for real property and site leasehold rights (1% for chattel mortgages and aircraft; 0.4% for ships). The duty can be deferred when the transfer of real property is an intragroup transaction.

5.6 Customs and excise duties

As a member of the EU, no customs duties are imposed on goods from other member states. However, goods from jurisdictions outside the EU are subject to tariffs.

The major Swedish excise duties are those on alcohol, tobacco and energy.

5.7 Environmental taxes

A number of environmental taxes have been introduced over the past several years, e.g. energy tax, carbon tax and sulfur tax.

5.8 Other taxes

None.

6.0 Taxes on individuals

Sweden imposes two direct taxes on individuals: income tax and capital gains tax. Sweden is a high tax country by European standards.

Sweden Quick Tax Facts for Individuals	
National tax rate	20% basic rate on taxable income in excess of SEK 430,200/25% higher rate on taxable income in excess of SEK 625,800
Municipal tax rates	29.19% to 35.11%
Capital income tax rate	30%
Basis	Worldwide
Double taxation relief	Yes
Tax year	Calendar year
Return due date	2 May
Withholding tax	
– Dividends	30%
– Interest	0%
– Royalties	0%
Net wealth tax	No
Social security	Paid by employer, except for pension insurance fee of 7% on employment income up to SEK 478,551
Inheritance tax	No
Real estate tax	Municipal fee – maximum SEK 7,412
VAT	25% (standard rate)/12%, 6%, 0% (reduced rates)

6.1 Residence

To be considered a resident of Sweden, an individual must have a real home in the country, or if the individual does not have a real home in Sweden, he/she must stay permanently in the country. There are no specific rules governing what would constitute a consecutive and permanent stay in Sweden, but according to the Swedish Tax Agency, an individual who regularly stays overnight in Sweden over a period of six consecutive months should be considered a Swedish resident. An individual could be deemed to stay regularly in Sweden even if he/she spends more nights abroad than in Sweden.

Foreign individuals who spend less than six consecutive months in Sweden generally are considered nonresident (typically the case for foreign nationals who visit Sweden temporarily for business and/or pleasure).

6.2 Taxable income and rates

Resident individuals are subject to national income tax on income from capital (dividends, interest, capital gains, etc.), and to both national and municipal income taxes on other income. Resident individuals are taxed on worldwide income, with some exceptions for foreign-source income covered by tax treaties. Nonresident individuals are liable for tax only on income generated in Sweden, such as salaries from Swedish employment, income from business activities carried out through a PE in Sweden, income from real estate situated in Sweden and Swedish pension income.

Foreign experts, scientists and executives who work temporarily in Sweden and who are resident in Sweden for tax purposes may benefit from a special tax regime. An individual qualifying for tax relief is entitled to a 25% reduction in taxable income for the first three years of employment. Accordingly, the employer will receive a 25% reduction in the basis for calculating social security contributions. Further, the reimbursement of expenses related to the assignment in Sweden, e.g. relocation expenses to and from Sweden, return visits to the home country (a maximum of two per calendar year and per person) and school fees for children, are exempt from taxation. This regime applies to foreign experts, scientists and other key personnel where the work involves:

- Expert assignments at a position or competence level that would be difficult to recruit within Sweden;
- Qualified research or development assignments for a position or competence level that would be difficult to recruit within Sweden; and
- High-earning individuals whose remuneration exceeds twice the price base amount for the calendar year in which the work commences. For 2016, the price base amount is equal to SEK 44,300. Hence, the monthly remuneration has to exceed SEK 88,600. The price base amount is adjusted every year.

Taxable income

The national income tax is levied on income from employment, business and investments, although investment income is treated separately. Municipal income tax is levied on income derived from employment and business, but not on investment income. The municipal tax is not deductible in calculating taxable income subject to the national tax.

Fringe benefits are included in taxable income (generally at market value); these include subsidized lunches, per diem travel allowances, favorable loans, insurance, company cars and company subsidized private medical care.

As noted above, resident individuals are liable for income tax on worldwide investment income, such as dividend income, interest income from bank savings and capital gains on the sale of financial investments, real estate or other assets. No personal allowance is available to set against income from capital, but all interest paid (including credit card interest) and capital losses are, in principle, deductible from capital income.

Capital losses are, in principle, computed in the same way as gains. All capital losses, with the exception of losses on personal assets, are deductible against income from capital for a resident taxpayer. The deduction of capital losses generally is restricted to 70%, although there are exceptions to this rule.

When computing investment income, all types of capital, including capital gains, are added together and all types of deductible capital cost, including capital losses, are deducted. Except for interest on loans used in a business, interest costs are deductible in computing capital income.

A positive capital result is taxed at 30%. If the net income from capital is negative, the taxpayer is entitled to a tax reduction of 30% of a deficit up to SEK 100,000. Where the negative income from capital exceeds SEK 100,000, the tax reduction is 21% of the remaining deficit. The tax reduction may be used to reduce income tax on employment and business income, as well as real property tax for the same fiscal year. Losses in the category of income from capital cannot be carried forward.

Deductions and reliefs

Resident individuals in receipt of employment income or income from an active business are entitled to personal allowances, which are deductible from that income. The amount of the allowance varies, depending on the amount of the income. For low income, the minimum basic deduction is SEK 18,800 and the maximum is SEK 34,200. The deduction on income exceeding SEK 348,900 is SEK 13,000.

Employees also are granted a general tax reduction against tax on income from employment. The deduction is granted up to approximately SEK 26,381 depending on the applicable municipal tax rate and the amount of employment income received during the income year.

Commuting costs are deductible to the extent they exceed SEK 10,000 per year, although some restrictions apply.

Business travel expenses are deductible to the extent they are not reimbursed by an employer. The Swedish Tax Agency sets specific per diem amounts for costs other than travel and accommodation. Reimbursements exceeding the per diem amounts are taxed as salary. Most Swedish companies have adjusted their reimbursement policies to correspond with the tax regulations.

In certain cases, Swedish tax law permits a deduction for increased costs of living. Individuals on temporary assignments who maintain a place of residence in their home country may qualify for this deduction. The deduction generally is available for a maximum period of two to three years, although the maximum length of the assignment in Sweden that could qualify as temporary is not defined in the tax law. In general, deductions are available for increased housing costs upon relocation, home trips to an EU/EEA country, etc. Deductions are not automatically available for assignments in Sweden and the deductions may be challenged by the tax authorities.

A tax reduction equal to 50% of the labor costs relating to housekeeping is available, but the reduction is limited to SEK 25,000 per year. There also is a tax reduction equal to 30% of the labor cost relating to repair, maintenance and rebuilding of a private dwelling, limited to SEK 50,000 per year.

Rates

A basic national income tax of 20% is levied on taxable income exceeding SEK 430,200. A higher national tax of 25% is levied on taxable income in excess of SEK 625,800. In total, a maximum rate of approximately 61% may be levied. Business income is taxed at the same rate as employment income.

The municipal tax is charged on total taxable employment income (less a personal allowance) at a flat rate ranging from 29.19% to 35.11% (average 32%). Since each municipality can set its own rate, the actual amount payable depends on the municipality where the individual is resident.

Income from capital is taxed at a flat rate of 30%, although the effective tax rate on dividends and capital gains can be lower in certain situations. No personal allowance is available to set against income from capital but all interest paid (including credit card interest) and capital losses are, in principle, deductible from capital income.

Sweden imposes a 15% tax on yields from private pension funds.

Nonresident individuals whose only Swedish-source income is derived from employment income or pensions are liable for national income tax at a rate of 20%, regardless of the amount; they do not pay municipal income tax on such income. The tax chargeable normally is levied by way of a final withholding tax.

6.3 Inheritance and gift tax

Sweden does not impose inheritance or gift tax. Tax relief for gifts to not-for-profit organizations is abolished as from 1 January 2016.

6.4 Net wealth tax

Sweden does not impose net wealth tax.

6.5 Real property tax

Individuals are liable for a municipal fee at a maximum of SEK 7,412 on real property owned in Sweden.

6.6 Social security contributions

Contributions by the self-employed amount to 28.97%, plus a pension insurance fee of 7% (on employment income up to SEK 478,551). The 28.97% rate is reduced to 16.36% for individuals born from 1938 to 1950. For individuals born in 1937 or earlier the rate is 6.15% and for individuals born after 1991 the rate is 23.69% up until May 2016 and 28.97% from June 2016. Social security contributions for employed individuals are paid by the employer, except for the pension insurance fee of 7% on employment income up to SEK 478,551, which is fully credited against other income taxes.

6.7 Other taxes

None.

6.8 Compliance

The tax year in Sweden is the calendar year.

All earned and unearned income is taxed separately for married couples, although returns are correlated by cross referencing personal security numbers, and spouses can balance each other's income and deductions.

Individuals with taxable employment income of at least SEK 18,800 during the tax year must file a tax return and submit it to the tax office by 2 May in the year following the tax year.

An initial late fee of SEK 1,250 is levied for late returns by individuals, with additional penalties applying if the failure continues. A surcharge of 40% of the tax due is levied if false/insufficient information is provided (which may be reduced under certain circumstances). If filing is incomplete or the taxpayer fails to file a return, the tax authorities may estimate the tax payable. Interest penalties are levied on outstanding taxes.

7.0 Labor environment

7.1 Employee rights and remuneration

Labor law is applied stringently and is an important component of Swedish industrial relations. Labor law has consolidated and supplemented the strong system of collective bargaining in the country. Individual unions often negotiate collective agreements. Foreign firms must comply with Swedish labor laws and laws governing the negotiation of collective agreements (if applicable).

Sweden's main labor laws are as follows:

- *Employment Protection Act*. This act prevents arbitrary dismissal.
- *Co-determination in the Workplace Act*. This act requires consultation with the workforce on major issues affecting companies.
- *Board Representation for Employees Act*. This act provides for employee representation on certain company boards.
- *Discrimination Act*. This act prohibits discrimination based on sex, transgender identity or expression, ethnicity, religion or other belief, disability, sexual orientation or age and promotes measures to promote equality.
- *Work Environment Act*. This act governs health, safety and environmental standards in the workplace and provides for joint employer-employee safety committees, whose functions are developed in collective agreements.
- *Working Hours Act*. This act sets a normal work week of 40 hours and an overtime limit of 200 hours per year.
- *Annual Leave Act*. This act provides a statutory right to five weeks of annual holiday from the first year of employment, of which four consecutive weeks may be taken during the June-August period.

There is no legislation directly affecting remuneration, since this is fully governed by collective agreements.

7.2 Wages and benefits

Swedish law does not mandate a minimum wage.

Voluntary fringe benefits, which are well developed in Swedish companies (and usually negotiated collectively), include subsidized canteen meals, work clothes, occupational health and medical services, recreational facilities, company cars and mobile phones. Most traditional fringe benefits are taxed, including loans, the use of a company car (even when leased), housing, telephone, insurance, spouse's travel on overseas trips, holiday bonus, profit sharing and end-of-year gratuity or bonus (paid by one-third of major companies). Companies must declare to the tax authorities any benefit worth SEK 100 or more in any year that is taxed as income.

Options granted to founding members of a company are taxed as a benefit, as are options granted to managers subsequently joining a company at the time the options are exercised.

Contributions to employer-administered pension plans are deductible for corporate tax purposes up to the higher of 35% of the current or previous year's salary, currently capped at SEK 443,000. Benefits not taxed include extra holidays, staff welfare, courses or a sabbatical year.

Pensions

The statutory state pension is split into two categories: an old age pension, which is a defined benefit plan and "*premiepension*," which is a premium-based plan where the individual can choose in which funds the pension is to be invested. Both plans are financed through the employer social security contributions.

The retirement age is 65, although employees in most sectors have the right to work until the age of 67. Early retirement is available; the age varies, depending on sector and individual agreements.

Pensions may be drawn at any age from 60 to 70, but they are reduced before and increased after the official retirement age.

Social insurance

The employer social security contribution is 31.42% of salary and taxable benefits. Employee retirement contributions amount to 7% on income up to SEK 478,551. However, the individual is granted a tax reduction of an equivalent amount, resulting in an actual cost to the individual of nil. For employees born in 1937 or earlier the rate is 6.15%. For employees born from 1938 to 1950, social security contributions are reduced to 16.36%. For individuals born in 1991 or after, the contributions are reduced to 25.46% until May 2016 and 31.42% from June 2016.

Employers who work within research and development for business purposes may qualify for reduced social security contributions in respect of certain employees who are engaged in qualified and systematic research for business purposes for at least 75% of their working time and 15 hours per month. Until May 2016, the reduction applies only for employees born between 1951 and 1990; from June 2016 the reduction is extended to all employees born in 1951 or later. No reduction is available for employees born in 1950 or earlier. The reduction is equal to 10% of the employee's salary, subject to social security contributions, but can never be more than SEK 230,000 per month for all employees. An employer's deductions also must be restricted to ensure that the old age pension part of the social security contributions is covered, which equals 10.21% of the total social security contributions.

Employers in certain sectors located in specified regions may be entitled to a special reduction of the social security contributions. The reduction amounts to 10% of paid, but only if the sum of all paid salaries exceeds SEK 71,000 per month).

Other benefits

All employees are entitled to 25 days of vacation per year (provided that the employment is not intended to last for, or exceeds, three months and compensation can be provided in lieu of annual leave), even in the first year of a new job or if working half-time. If the employment commenced after 31 August during the annual leave year, the employee shall only be entitled to five days of annual leave. An agreement stipulating a shorter holiday is not valid. Employees who are not entitled to paid vacation are remunerated in the form of vacation pay, which is calculated at 12% of all income received from the employer during the year ending on 31 March. Additionally, amounts paid in the form of state benefits during absence for sickness or tending a newborn child are included in the calculation.

Most employers also offer a vacation payment of 0.8% of monthly gross salary per vacation day used.

Collectively, parents are entitled to parental leave of 480 days per child, including 60 days specifically allocated to each parent. The remaining 360 days may be divided between the parents at their discretion. During the parental leave, the parent is entitled to a parent allowance from the Social Security Agency. For 390 days, the allowance is paid on a monthly basis at 80% of the monthly salary; for the remaining 90 days, an allowance of SEK 180 per day. A parent may stay at home and attend a sick child under 12 (for children born on or after 1 January 2014; otherwise up until the age of eight). In these situations, the parent receives a temporary parental allowance. Parents also may reduce their working hours from eight to six per day if they have children younger than eight.

Some employers pay additional salary to employees while they are on parental leave but this is optional, unless specifically stipulated in a collective agreement with the trade union.

7.3 Termination of employment

There are two types of dismissal under Swedish labor law: ordinary dismissal with due notice and summary dismissal without notice. The differences concern the reasons/grounds for dismissal and dismissal protection.

An ordinary dismissal must be based on objective grounds, i.e. linked to circumstances relating to the "employee personally" or "other circumstances". Circumstances linked to the employee personally include repeated negligence at work, theft, violent acts at work, disloyalty, severe cooperation problems, etc. For this type of dismissal, the employee must be warned that the

behavior is unacceptable. Age, sickness, religious beliefs or a physical handicap do not constitute an objective ground. The most commonly used grounds for the majority of ordinary dismissals are “shortage of work”, which is linked to “other circumstances.” When an employer needs to dismiss employees on the basis of a shortage of work, the employer is required to follow the “last in first out” rule.

A summary dismissal can be carried out if the employee has grossly neglected his/her obligations towards the employer. Circumstances that constitute grounds for summary dismissal are similar to those for ordinary dismissal but more serious. An ordinary dismissal without an objective ground and/or a summary dismissal without gross negligence from the employee can be nullified in court. An ordinary dismissal is not allowed if the employer can reasonably be expected to provide the employee with work.

There is no notice period for a summary dismissal. Since this type of dismissal is possible only if the employee has grossly neglected his/her obligations, the employment contract generally ends when the employer communicates the dismissal. However, the employer is required to inform the employee one week in advance that it intends to summarily dismiss the employee and the dismissal must be executed within two months after the employer has obtained knowledge of the fact upon which the dismissal is based; otherwise, the dismissal is invalid. Notice periods for ordinary dismissal are regulated by law and sometimes collective bargaining agreements. The period increases in length in favor of the employee, depending on the duration of the employment agreement. In general, the notice period varies between one and three months. Any agreement contrary to the law may only be made in a collective bargaining agreement.

All dismissals must be in writing and meet certain other requirements.

7.4 Labor-management relations

Unions have a strong position in Sweden, employees are commonly unionized and collective agreements are frequent. A trade union that has concluded a collective agreement with an employer acquires a privileged position at the work place, including rights to negotiate and receive information in relation to redundancies and other issues that may arise. Swedish law provides extensive protection for trade union representatives and allows them to perform work for the union during normal working hours with full pay.

At workplaces where the employer is bound by a collective agreement with a trade union, the terms and conditions of the agreement apply directly to employees that are members of the relevant union. Although there is no automatic extension or general application of a collective agreement, there is a common understanding that the employer generally must provide non-members with the same wages and other terms and conditions as apply to union members.

Before an employer makes a decision regarding important alterations of the business operations, it must negotiate with all trade unions to which it is bound by a collective agreement, provided the unions have at least one member employed by the employer. A decision that can result in redundancies is always considered to be of a nature that requires prior negotiation. An employer that is not subject to a collective agreement is required to negotiate with all trade unions that have at least one member employed by the employer if an intended decision can result in redundancies. The obligation to negotiate with the unions implies that negotiations must be initiated, as well as finalized, before a decision is made by the employer.

7.5 Employment of foreigners

As an EU member state, Sweden is governed by EU rules. Citizens of the EEA may enter and work in Sweden without residence or work permits, or may enter Sweden and find employment within three months. Non-EEA nationals earning a living in Sweden must have work permits, which must be obtained before entering the country. Residence permits generally have to be obtained outside Sweden. The main exceptions for work permits are the following: (1) assembly personnel and its technical instructors who can prove they have urgent work setting up machinery and who will leave within 14 days during a period of 12 months; (2) commercial travelers, drivers of tourist buses and others in certain service occupations who may work in Sweden for up to three months (during a period of 12 months) without a permit, although they are advised to obtain one in advance if possible; and (3) foreigners married to Swedish residents. There also are rules that make it easier for researchers to live and work in Sweden for a limited time.

An application for a work permit is made through the local labor authority in OECD member countries and through the Swedish embassy or consulate elsewhere. The application must be accompanied by a job offer from an employer in Sweden, stating the wages to be paid (which must not be less than current Swedish rates) and other conditions of employment, and by a brief statement of arrangements made for accommodation. Alternatively, if an employee will be working for a foreign company in Sweden, the employer must provide a letter specifying the terms of employment. Foreign companies may be asked to specify why a Swedish national cannot do the job.

Processing by the Swedish Migration Board and the National Labor Market Board can take as long as a year. The first work permit is valid for six months and is not tied to a particular employer. A combined permanent residence and work permit can be obtained after one year of residence in Sweden and is valid whilst the foreign national's passport is valid.

Employers who employ individuals from a country outside the EU, EEA or Switzerland also must notify the Swedish Tax Agency. The employer has to confirm that the employee has a valid work and residence permit and has to have a copy of the documents at hand during the entire employment period and for at least twelve months after the employment has ended.

The employer also must notify the Swedish Work Environment Authority if a posting of an employee to Sweden exceeds five days, regardless of the employee's origin. The notification must be made at the latest when the employee begins his/her work in Sweden.

8.0 Deloitte International Tax Source

The Deloitte International Tax Source (DITS) is a free online database that places up-to-date worldwide tax rates and other crucial tax information within easy reach. DITS is accessible through mobile devices (phones and tablets), as well as through a computer.

Connect to the source and discover:

A database that allows users to view and compare tax information for 65 jurisdictions that includes –

- Corporate income tax rates;
- Historical corporate rates;
- Domestic withholding tax rates;
- In-force and pending tax treaty withholding rates on dividends, interest and royalties;
- Indirect tax rates (VAT/GST/sales tax); and
- Information on holding company and transfer pricing regimes.

Guides and Highlights – Deloitte’s Taxation and Investment Guides analyze the investment climate, operating conditions and tax systems of most major trading jurisdictions, while the companion Highlights series concisely summarizes the tax regimes of over 130 jurisdictions.

Jurisdiction-specific pages – These pages link to relevant DITS content for a particular jurisdiction (including domestic rates, tax treaty rates, holding company and transfer pricing information, Taxation and Investment Guides and Highlights).

Tax publications – Global tax alerts and newsletters provide regular and timely updates and analysis on significant cross-border tax legislative, regulatory and judicial issues.

Tax resources – Our suite of tax resources includes annotated, ready-to-print versions of holding company and transfer pricing matrices; a summary of controlled foreign company regimes for the DITS countries; an R&D incentive matrix; monthly treaty updates; and expanded coverage of VAT/GST/sales tax rates.

Webcasts – Live interactive webcasts and Dbriefs by Deloitte professionals provide valuable insights into important tax developments affecting your business.

Recent additions and updates – Links from the DITS home page to new and updated content.

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9.0 Contact us

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